

AUDIT SUMMARY

Our audit of James Madison University for the year ended June 30, 1999, found:

- the financial statements are presented fairly, in all material respects;
- an internal control matter that we consider to be a reportable condition; however, we do not consider it to be a material weakness;
- no instances of noncompliance required to be reported under Government Auditing Standards; and,
- adequate corrective action with respect to previous year audit findings not repeated in this report.

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May 8, 2000

The Honorable James S. Gilmore, III
Governor of Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission

The Board of Visitors
James Madison University

We have audited the accounts and records of **James Madison University** as of and for the year ended June 30, 1999, and submit herewith our complete reports on financial statements and compliance and internal controls.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the balance sheet of James Madison University as of June 30, 1999, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. The financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of James Madison University as of June 30, 1999, and the changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying "Schedule of Auxiliary Enterprises - Revenues and Expenditures" is presented for the purpose of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, such information is fairly presented in all material respects in relation to the financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of James Madison University as of and for the year ended June 30, 1999, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards. We also determined the status of audit findings contained in our prior year report.

Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the section entitled "Internal Control Finding and Recommendation."

We believe this reportable condition is not a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

Status of Prior Findings

The University has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

The Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting is intended solely for the information and use of the Governor and General Assembly of Virginia, Board of Visitors, audit committee, and management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on June 21, 2000.

AUDITOR OF PUBLIC ACCOUNTS

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jld:56

INTERNAL CONTROL FINDING AND RECOMMENDATION

Reconcile Student Information System

The University does not have adequate procedures to reconcile revenue on its student information system to its accounting system. Because these systems do not interface, there is the possibility of processing transactions on one system and not on the other. Reconciling the two systems would detect these differences.

The University continues with the plan to implement the PeopleSoft Student Information Systems module. Once implemented, the University must develop adequate procedures to reconcile information between the systems.

FINANCIAL STATEMENTS

JAMES MADISON UNIVERSITY
BALANCE SHEET
As of June 30, 1999

	Current Funds		Loan Funds	F
	Unrestricted	Restricted		
A S S E T S				
Cash and cash equivalents (Note 2)	\$ 14,434,928	\$ 694,579	\$ 413,521	
Investments (Note 2)	-	-	-	
Collateral held for securities lending (Note 2)	1,515,251	-	-	
Appropriations available	-	-	-	
Security deposits	39,607	-	-	
Accounts receivable:				
Grants and contracts	-	1,326,714	-	
Employee	46,026	-	-	
Bookstore inventory	601,088	-	-	
Other (Net of allowance for doubtful accounts of \$348,816)	850,513	-	-	
Due from the federal government	-	-	19,232	
Due from other funds (Note 3)	744,287	-	-	
Due from the Commonwealth of Virginia (Note 6)	1,592,203	-	-	
Credits due from suppliers (Net of allowance for doubtful accounts of \$1,282)	812,754	-	-	
Inventories	1,037,212	-	-	
Prepaid expenses	2,538,219	2,280	-	
Notes receivable (Net of allowance for doubtful accounts of \$254,345)	-	-	2,575,333	
Land	-	-	-	
Buildings	-	-	-	
Equipment	-	-	-	
Improvements	-	-	-	
Reference and exhibit materials	-	-	-	
Construction in progress	-	-	-	
Total assets	\$ 24,212,088	\$ 2,023,573	\$ 3,008,086	
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 13,677,940	\$ 454,728	\$ -	
Deposits and deferred revenue	4,000,305	-	-	
Obligations under securities lending (Note 2)	1,515,251	-	-	
Advance from the Treasurer of Virginia	55,000	-	-	
Accrued compensated absences	3,652,423	-	-	
Accrued faculty retirement plans (Note 4)	2,120,860	-	-	
Due to other funds (Note 3)	-	500,007	10	
Retainage payable (Note 5)	-	-	-	
Long-term debt (Note 6)	-	-	-	
Deposits held in custody for others	-	-	-	
Total liabilities	25,021,779	954,735	10	
Fund balances (deficit):				
Current funds - Unrestricted	(809,691)	-	-	
Current funds - Restricted	-	1,068,838	-	
Loan funds - U.S. Government	-	-	2,366,779	
Loan funds - University	-	-	641,297	
Endowment and similar funds	-	-	-	
Plant funds:				
Unexpended	-	-	-	
Renewal and replacement	-	-	-	
Retirement of indebtedness	-	-	-	
Investment in plant	-	-	-	
Total fund balances (deficit)	(809,691)	1,068,838	3,008,076	
Total liabilities and fund balances	\$ 24,212,088	\$ 2,023,573	\$ 3,008,086	

The accompanying notes to financial statements are an integral part of this statement.

Endowment and Similar Funds	Plant Funds	Agency Funds	Total
\$ 272,597	\$ 9,827,801	\$ 2,017,466	\$ 27,660,892
-	5,325,164	-	5,325,164
-	-	-	1,515,251
-	23,236,550	-	23,236,550
-	-	-	39,607
-	-	-	1,326,714
-	-	-	46,026
-	-	-	601,088
-	-	2,660	853,173
-	-	-	19,232
-	-	12,978	757,265
-	-	-	1,592,203
-	-	-	812,754
-	-	-	1,037,212
-	-	-	2,540,499
-	-	-	2,575,333
-	6,178,741	-	6,178,741
-	226,258,182	-	226,258,182
-	29,633,145	-	29,633,145
-	19,128,972	-	19,128,972
-	25,312,803	-	25,312,803
-	33,163,403	-	33,163,403
<u>\$ 272,597</u>	<u>\$ 378,064,761</u>	<u>\$ 2,033,104</u>	<u>\$ 409,614,209</u>

\$ -	\$ 2,030,974	\$ -	\$ 16,163,642
-	-	-	4,000,305
-	-	-	1,515,251
-	-	-	55,000
-	-	-	3,652,423
-	-	-	2,120,860
-	257,248	-	757,265
-	904,706	-	904,706
-	78,765,267	-	78,765,267
-	-	2,033,104	2,033,104
-	81,958,195	2,033,104	109,967,823
-	-	-	(809,691)
-	-	-	1,068,838
-	-	-	2,366,779
-	-	-	641,297
272,597	-	-	272,597
-	21,360,251	-	21,360,251
-	10,306,525	-	10,306,525
-	4,706	-	4,706
-	264,435,084	-	264,435,084
<u>272,597</u>	<u>296,106,566</u>	<u>-</u>	<u>299,646,386</u>
<u>\$ 272,597</u>	<u>\$ 378,064,761</u>	<u>\$ 2,033,104</u>	<u>\$ 409,614,209</u>

JAMES MADISON UNIVERSITY
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 1999

	Current Funds		Loan	Endowment and Similar Funds
	Unrestricted	Restricted	Funds	
Revenues and other additions:				
Unrestricted current fund revenues	\$183,583,258	\$ -	\$ -	\$ -
State appropriations - Restricted	-	3,452,956	-	-
Federal grants and contracts - Restricted	-	6,891,097	-	-
State grants and contracts - Restricted	-	3,451,523	-	-
Private gifts, grants and contracts - Restricted	-	1,902,201	59,983	-
Endowment income	-	11,599	-	-
Investment income	-	-	-	-
Interest on loans receivable	-	-	60,646	-
U.S. Government advances	-	-	17,906	-
Realized gain on investments	-	-	-	16,252
Expended for plant facilities (Including \$6,420,424 charged to current funds)	-	-	-	-
Retirement of indebtedness	-	-	-	-
Other sources	-	160	-	-
Total revenues and other additions	183,583,258	15,709,536	138,535	16,252
Expenditures and other deductions:				
Education and general expenditures	102,450,813	15,385,407	-	-
Auxiliary enterprise expenditures	67,674,334	-	-	-
Indirect cost recovered	-	342,931	-	-
Administration and collection costs	-	-	23,735	-
Expended for plant facilities (Including \$1,681,692 not capitalized)	-	-	-	-
Loan cancellation and write-offs	-	-	5,361	-
Refunded to grantor	-	-	25,432	-
Unrealized loss on investments	-	-	-	3,373
Retirement for plant facilities	-	-	-	-
Retirement of indebtedness	-	-	-	-
Interest on indebtedness	-	-	-	-
Total expenditures and other deductions	170,125,147	15,728,338	54,528	3,373
Transfers among funds - Additions/(Deductions)				
Mandatory:				
Debt service and other	(8,128,862)	-	5,969	-
Nonmandatory:				
(To)/From other funds	2,826	-	(2,826)	-
Capital improvements	(6,271,321)	-	-	-
Total transfers	(14,397,357)	-	3,143	-
Net increase (decrease) for the year	(939,246)	(18,802)	87,150	12,879
Fund balances at beginning of year	129,555	1,087,640	2,920,926	259,718
Fund balances (deficit) at end of year	\$ (809,691)	\$ 1,068,838	\$ 3,008,076	\$ 272,597

The accompanying notes to financial statements are an integral part of this statement.

Plant Funds			
Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant
\$ -	\$ -	\$ -	\$ -
3,463,328	745,082	848,825	-
-	-	-	-
-	-	-	-
-	-	-	630
-	-	-	-
116,443	-	5,908	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	22,246,580
-	-	-	5,645,830
-	-	-	-
3,579,771	745,082	854,733	27,893,040
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
15,600,779	1,907,069	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	742,985
-	-	5,645,830	-
-	-	3,331,939	-
15,600,779	1,907,069	8,977,769	742,985
-	-	8,122,893	-
-	-	-	-
5,219,191	1,052,130	-	-
5,219,191	1,052,130	8,122,893	-
(6,801,817)	(109,857)	(143)	27,150,055
28,162,068	10,416,382	4,849	237,285,029
\$ 21,360,251	\$10,306,525	\$ 4,706	\$ 264,435,084

JAMES MADISON UNIVERSITY
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
For the Year Ended June 30, 1999

	Current Funds		Total
	Unrestricted	Restricted	
Revenues:			
Student tuition and fees	\$ 52,074,625	\$ -	\$ 52,074,625
State appropriations (Note 8)	49,889,937	3,454,757	53,344,694
Federal grants and contracts	182,938	6,733,453	6,916,391
State grants and contracts	72,411	2,607,498	2,679,909
Private gifts, grants and contracts	142,362	2,581,347	2,723,709
Endowment income	13,035	8,352	21,387
Sales and service of educational departments	2,771	-	2,771
Sales and service of auxiliary enterprises	80,711,229	-	80,711,229
Other sources	493,950	-	493,950
Total current revenues	183,583,258	15,385,407	198,968,665
Expenditures and mandatory transfers:			
Educational and general:			
Instruction	58,323,136	960,666	59,283,802
Research	231,454	1,549,468	1,780,922
Public service	307,030	4,163,169	4,470,199
Academic support	15,933,048	2,074,420	18,007,468
Student services	4,805,599	182,950	4,988,549
Institutional support	11,796,397	-	11,796,397
Operation and maintenance of plant	10,406,463	1,575	10,408,038
Scholarships and fellowships	647,686	6,453,159	7,100,845
Total educational and general expenditures	102,450,813	15,385,407	117,836,220
Mandatory transfers for debt service and other	400,632	-	400,632
Total educational and general	102,851,445	15,385,407	118,236,852
Auxiliary enterprises:			
Operating expenditures	67,674,334	-	67,674,334
Mandatory transfers for debt service	7,728,230	-	7,728,230
Total auxiliary enterprises	75,402,564	-	75,402,564
Total expenditures and mandatory transfers	178,254,009	15,385,407	193,639,416
Other transfers and additions:			
Deficiency of restricted receipts under transfers to revenues	-	(18,802)	(18,802)
Nonmandatory transfers:			
From loan funds	2,826	-	2,826
Capital improvements	(6,271,321)	-	(6,271,321)
Net decrease in fund balances	\$ (939,246)	\$ (18,802)	\$ (958,048)

The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

JAMES MADISON UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of James Madison University have been prepared in accordance with generally accepted accounting principles for colleges and universities. The significant accounting policies employed by the University are as follows:

A. Reporting Entity

James Madison University is an agency of the Commonwealth of Virginia and is governed by the University's Board of Visitors. A separate report is prepared for the Commonwealth of Virginia which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the general purpose financial statements of the Commonwealth.

The University has no component units, as defined by Section 2200, of the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards; however, the University does have related party corporations whose combined financial conditions are stated in Note 9. These organizations are separate legal entities from James Madison University and the University exercises no control over them. For these reasons, the University's related parties are not included in these financial statements.

B. Basis of Accounting

The financial statements of the University have been prepared on the accrual basis, in accordance with the American Institute of Certified Public Accountants' Industry Audit Guide, Audits of Colleges and Universities, except for depreciation accounting. The University follows the practice of reporting gifts and pledges when collected. No value is assigned to art, rare books, and other collections received as gifts.

The Statement of Current Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

C. Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the University, the accounts of the University are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group. A summary of fund group definitions is as follows:

Current Funds - Current fund balances are separated into those which are restricted by donors and those which are unrestricted. Restricted funds may only be expended for the purpose indicated by the donor or grantor, whereas unrestricted funds are available for current operations at the discretion of the University.

Loan Funds - Loan funds represent funds which are limited by the terms of their donors or by action of the Board of Visitors for the purpose of making loans to students.

Endowment and Similar Funds - Endowment and similar funds generally include endowment funds and quasi-endowment funds.

Endowment funds are funds which donors or other outside agencies have stipulated, as a condition of the gift, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to principal.

Quasi-endowment funds are funds which the Board of Visitors of the University has determined are to be retained and invested. Since these funds are internally designated rather than externally restricted, the Board of Visitors has the right at any time to expend the principal.

Plant Funds - Plant funds are divided into four groups: Unexpended, Renewal and Replacement, Retirement of Indebtedness, and Investment in Plant.

The Unexpended plant funds represent resources which are specified by external sources or designated by the Board of Visitors for the acquisition, construction, renovation, and replacement of physical properties.

The Renewal and Replacement funds include resources held for maintenance, repairs, renovations, and replacement of plant facilities.

The Retirement of Indebtedness fund is for the retirement of principal and interest on debt established under bond indentures.

Investment in Plant represents the capitalized value of physical property owned by the University, along with any associated debt.

Agency Funds - Agency funds consist of funds held by the University as a custodian for others.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Board of Visitors. Externally restricted funds may be utilized only in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the Board of Visitors retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the

fund owning such assets, except for income derived from investments of endowment and similar funds. In these funds income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

All other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

D. Investments

Investments are recorded at market if purchased, or fair market value at the date of receipt, if received as a gift.

E. Inventories

Inventories are valued at the lower of cost (generally determined on the first-in, first-out method) or market, and consist primarily of expendable supplies held for consumption. On May 17, 1999, the University contracted with Follett College Stores to provide bookstore services. The contract included the sale of existing bookstore inventory.

F. Investment in Plant

Plant assets consisting of land, buildings, and equipment are stated at appraised historical cost or actual cost where determinable. Library books are valued using published average prices for library acquisitions. Other equipment expenditures are capitalized when the unit acquisition cost is \$5,000 or greater and the estimated useful life is two years or more.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as: (1) expenditures, in the case of normal replacement of movable equipment; (2) mandatory transfers, in the case of required provisions for debt amortization and interest, equipment renewal and replacement; and (3) transfers of a nonmandatory nature for all other cases. No provision is made in the accounts for depreciation of plant assets.

G. Deferred Revenue

Deferred revenue represents revenues collected but not earned as of June 30, 1999. This is primarily composed of revenue for student tuition accrued in advance of the semester. If a program is conducted over a fiscal year end, deferred revenue is recorded for all revenue related to programs predominately conducted in the next fiscal year.

H. Accrued Compensated Absences

The amount of leave earned but not taken by non-faculty salaried employees is recorded as a liability on the balance sheet. The amount reflects, as of June 30, all unused vacation leave, sabbatical leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave pay out policy. The applicable share of employer related taxes payable on the eventual termination payments is also included.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

Pursuant to Section 2.1-177, et seq., Code of Virginia, all state funds of the University are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Cash deposits held by the University are maintained in accounts that are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.1-359, et seq., Code of Virginia, except for cash held in foreign banks. These amounts are insured in accordance with the banking regulations of the respective countries where the funds are maintained. Cash and cash equivalents represent cash with the treasurer, cash on hand, and cash deposits including certificates of deposits and temporary investments with original maturities of three months or less.

	<u>Market Value</u>
Cash and cash equivalents:	
Deposits with Financial Institutions	\$ 2,633,313
Mutual, Money Market and Index Funds	<u>1,975,115</u>
Total cash and cash equivalents	<u>\$ 4,608,428</u>
Investments:	
State Non-arbitrage Program (SNAP)	\$ 5,320,458
Investments with the Treasurer of Virginia	<u>4,706</u>
Total investments	<u>\$ 5,325,164</u>

Securities Lending

Collateral held for securities lending transactions represent the University's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

3. INTERFUND ASSETS/LIABILITIES

Interfund obligations are recorded in each fund as due to or due from other funds. The borrowings provide working capital or cash advances for special projects.

	<u>Current Funds Unrestricted</u>	<u>Current Funds Restricted</u>	<u>Loan Funds</u>	<u>Plant Funds</u>	<u>Agency Funds</u>
Current unrestricted funds	\$ -	\$ (500,007)	\$ (10)	\$ (257,248)	\$ 12,978
Current restricted funds	500,007	-	-	-	-
Loan funds	10	-	-	-	-
Plant funds	257,248	-	-	-	-
Agency funds	<u>(12,978)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 744,287</u>	<u>\$ (500,007)</u>	<u>\$ (10)</u>	<u>\$ (257,248)</u>	<u>\$ 12,978</u>

4. FACULTY RETIREMENT PLANS

Supplemental Retirement Plan

Effective January 1, 1997, the University established a Supplemental Retirement Plan for tenured faculty members. The plan was designed to provide flexibility in the allocation of faculty positions. The plan is a qualified plan within the meaning of section 401(c) of the Internal Revenue Code of 1986 (the Code) and is a governmental plan within the meaning of section 414(d) of the Code. Since it is a governmental plan, the plan is not subject to the Employee Retirement Income Security Act of 1974 as amended. As of June 30, 1999 approximately 48 faculty members elected to enroll in the plan. In order to satisfy IRS requirements, a trust fund was established as means to make the payments to the plan participants. The University prepaid the entire fiscal year 2000 plan contribution in 1999. The plan payment schedule is as follows:

<u>Year Ending June 30,</u>	<u>Supplemental Plan Obligations</u>
2000	\$ -
2001	768,943
2002	817,440
2003	506,777
2004	<u>27,700</u>
Total	<u>\$2,120,860</u>

5. RETAINAGE PAYABLE

At June 30, 1999, \$904,706 was held by the University as retainage on various contracts for work which had been performed. The retainage will be remitted to the various contractors upon satisfactory completion of the construction projects.

6. LONG-TERM DEBT

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>June 30, 1999</u>
Revenue Bonds:			
Dormitory, Series 1993A	4.40% - 5.375%	2009	\$ 1,810,000
Dormitory, Series 1998A	3.15% - 4.80%	2019	14,610,000
Recreation, Series 1993A	4.40% - 5.375%	2013	<u>14,350,000</u>
Total Revenue Bonds			<u>30,770,000</u>
General Obligation Revenue Bonds:			
Dormitory and Dining Hall:			
Series 1979	3.00%	2009	1,640,000
Series 1993A	4.00% - 5.25%	2013	7,028,572
Series 1993B	3.80% - 5.00%	2010	3,237,412
Series 1996	4.75%	2001	259,514
Series 1997	5.00%	2017	17,970,000
Series 1998	4.50% - 5.50%	2018	1,035,000

Telecommunications, Series 1993B	4.00% - 4.25%	2001	710,687
Student Center:			
Series 1992	5.30% - 5.90%	2005	1,656,141
Series 1992C	5.30% - 5.80%	2004	1,585,000
Series 1998	3.50% - 4.70%	2013	4,533,844
Electrical Upgrade:			
Series 1993A	4.30% - 4.80%	2003	180,000
Series 1994	6.00%	2004	525,000
Athletic/Recreation:			
Series 1992	5.30% - 5.70%	2003	2,231,959
Series 1993A	4.30% - 4.90%	2004	231,983
Series 1993B	4.00% - 4.50%	2003	764,529
Total General Obligation Revenue Bonds			<u>43,589,641</u>
Total Bonds Payable			<u>74,359,641</u>
Capital Leases:			
Higher Education Equipment			
Trust Fund Leases Payable	Various	2001-2003	2,569,391
Other Capital Leases Payable	Various	2000-2004	623,029
Total Leases Payable			<u>3,192,420</u>
Installment Purchases Payable	Various	2001-2004	<u>1,213,206</u>
Total			<u>\$78,765,267</u>

Long-term debt matures as follows:

2000	\$ 6,183,771
2001	6,431,430
2002	6,022,484
2003	5,688,660
2004	4,864,727
Later Years	<u>49,574,195</u>
Total	<u>\$78,765,267</u>

Prior Year Defeasance of Debt

In prior years, the University and the Commonwealth of Virginia on behalf of the University issued bonds, which proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on other debt. The bonds representing that debt are therefore considered defeased. Accordingly, the trust account's assets and the liabilities for the defeased bonds are not included in the University's financial statements. On June 30, 1999, \$15,687,208 of the bonds outstanding are considered defeased.

Equipment Trust Fund Program

The Equipment Trust Fund (ETF) program was established to provide state-supported institutions of higher education bond proceeds for financing the acquisition and replacement of instructional and research equipment. The program is managed by the

Virginia College Building Authority (VCBA). In the past, the VCBA used the bond proceeds to reimburse the University for the equipment purchased. In effect, the VCBA purchased the equipment and leased it to the University. For fiscal year 1999, financing agreements for ETF were changed so that the University now owns the equipment from the date of purchase. As a result, the financial reporting for the ETF program has changed. In prior years, any amounts not reimbursed by the VCBA were reported on the balance sheet as Net Investment in Plant Fund “equity in equipment trust fund.”

For the year ended June 30, 1999, a “due from the Commonwealth of Virginia” totaling \$1,592,203 has replaced the amount previously reported as “equity in equipment trust fund.” This amount represents equipment purchased by the University and not reimbursed by the VCBA at June 30, 1999. Lease amounts previously reported on the balance sheet as “capital leases” are now reported as a fund addition to the “expended for plant facilities” line on the Statement of Changes in Fund Balances.

7. DEFICIT FUND BALANCE

The deficit fund balance in the Unrestricted Current Funds results from the \$3,344,457 purchase of Medical Arts complex. The Medical Arts complex will be used for administrative operations.

8. STATE APPROPRIATIONS - CURRENT UNRESTRICTED FUNDS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of the biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the Governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursements.

The following is a summary of state appropriations received by the University, including all supplemental appropriations and reversions:

Original legislative appropriation per Chapter 935	\$ 49,926,687
Supplemental adjustments:	
Classified salary increases	245,601
Health insurance premium	297,814
Retirement plans, faculty salaries, group life and retiree health credit reversions to the central fund	(578,634)
Reversion to the General Fund of the Commonwealth	<u>(1,531)</u>
Adjusted appropriation	<u>\$ 49,889,937</u>

9. AFFILIATED FOUNDATIONS

The financial statements do not include the assets, liabilities, and net assets of the James Madison University Foundation, Inc., James Madison University Alumni Association, or the James Madison University Research and Development Center, Inc. The purpose of these organizations is to operate for the benefit of the University. These organizations are separately incorporated entities and the related financial statements are examined by other auditors. The following condensed summary is based solely upon the reports of other auditors:

ASSETS

Cash and investments	\$ 34,826,704
Other assets	<u>1,999,132</u>
Total assets	<u>\$ 36,825,836</u>

LIABILITIES AND NET ASSETS

Liabilities	\$ 1,653,118
Net assets	<u>35,172,718</u>
Total liabilities and net assets	<u>\$ 36,825,836</u>

The aggregate revenues and expenditures of these organizations, determined as if in consolidation with the University, were \$9,672,537 and \$3,897,991, respectively for the year ended June 30, 1999.

The James Madison University Foundation, Inc. receives gifts and expends funds for the benefit of the University. The revenues and expenditures of the University include funds expended by the foundation and paid directly to the University of approximately \$2,930,095 for the year ended June 30, 1999.

10. COMMITMENTS

At June 30, 1999, the University was a party to construction and other contracts totaling approximately \$55,006,136 of which \$30,335,242 has been incurred.

Under a contract between the Board of Visitors of the University and the City of Harrisonburg dated April 12, 1995, the University is committed to City services for steam and chilled water purchases and waste disposal. The City will bill the University for annual debt service for a new resource recovery facility and cost of delivered quantities of steam and chilled water. The contract will expire April 12, 2036. During the year ended June 30, 1999, such purchases totaled \$2,562,199.

The University is committed under various operating leases for equipment and space. In general, the equipment leases are for a two-year term and the space leases are for three to four year terms with appropriate renewal options for each type of lease. In most cases, the University expects that in the normal course of business, these leases will be replaced by similar leases. Rental expense was approximately \$1,863,560 for the year ended June 30, 1999.

The University has, as of June 30, 1999, the following future minimum rental payments due under the above commitments:

<u>Year Ending June 30,</u>	<u>Operating Obligations</u>
2000	\$ 1,711,520
2001	1,012,448
2002	918,272
2003	758,317
2004	704,938
Later years	<u>7,357,081</u>
Total	<u>\$ 12,462,576</u>

11. RETIREMENT PLANS

Virginia Retirement System

Employees of the University are employees of the Commonwealth of Virginia. Substantially all full-time classified salaried employees of the University participate in a defined benefit retirement plan administered by the Virginia Retirement System (VRS). VRS is an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agency for the Commonwealth of Virginia and its political subdivisions. Information relating to this plan is available at the statewide level only in the Commonwealth's Comprehensive Annual Financial Report (CAFR). The Commonwealth of Virginia, not the University, has the overall responsibility for contributions to this plan.

The University's total VRS contributions were \$4,851,668 for the year ended June 30, 1999, which included the 5 percent employee contribution assumed by the employer. These contributions represent 10.84 percent of covered payroll for the year. Contributions to the VRS were calculated using the base salary amount of approximately \$44,757,084 for the fiscal year ended June 30, 1999. The University's total payroll was approximately \$90,804,163 for the year ended June 30, 1999.

The VRS does not measure assets and pension benefit obligations separately for individual state institutions. The CAFR provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 1999. The same report contains historical trend information showing VRS's progress in accumulating sufficient assets to pay benefits when due.

Optional Retirement Plans

Full-time faculty and certain administrative staff participate in a defined contribution plan administered by five different providers rather than the VRS. The five different providers are TIAA/CREF Insurance Companies, Fidelity Investments Tax-Exempt Services and MetLife Resources, Great-West Life Assurance Co., T. Rowe Price Associates, and Variable Annuity Life Insurance Company (VALIC). This plan is a fixed-contribution program where the retirement benefits received are based upon the employer's (5.4 percent) and employee's (5 percent) contributions, plus interest and dividends.

Individual contracts issued under the plan provide for full and immediate vesting of both the University's and the employee's contributions. Total pension costs under this plan were approximately \$2,680,393 for year ended June 30, 1999. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$25,773,010 for fiscal year 1999.

12. POST-EMPLOYMENT BENEFITS

The Commonwealth participates in the VRS administered statewide group life insurance program which provides post-employment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least 15 years of service and participate in the State's health plan. Information related to these plans is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report (CAFR).

13. CONTINGENCIES

Grants and Contracts

The University has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the University.

In addition, the University is required to comply with the various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 1999, the University estimates that no material liabilities will result from such audits or questions.

14. LITIGATION

The University has been named as a defendant in a number of lawsuits. The final outcome of these lawsuits cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the University may be exposed will not have a material effect upon the University's financial position.

15. RISK MANAGEMENT

In order to cover its exposures to various risks of loss, the University participates in the Commonwealth's self insurance plans for state employee health care and risk management insurance. The latter includes worker's compensation, property, general (tort) liability, medical malpractice and automobile plans. Additional information regarding these plans is presented in the Commonwealth's Comprehensive Annual Financial Report for the fiscal year ended June 30, 1999.

16. SURETY BOND

University employees are covered by a Faithful Performance of Duty Bond administered by the Commonwealth of Virginia's Department of General Services, Division of Risk Management with liability limits of \$500,000 for each occurrence. Information relating to the Commonwealth's self-insurance plans is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report.

17. BOOKSTORE

On May 17, 1999, James Madison University entered into a contract with Follett College Stores to operate the University's bookstore. Significant financial elements of the contract include: purchase of existing inventory and credit memos and commission revenues due to the University commensurate with revenue generated through the store.

SUPPLEMENTARY INFORMATION

JAMES MADISON UNIVERSITY
SCHEDULE OF AUXILIARY ENTERPRISES - REVENUES AND EXPENDITURES
For the Year Ended June 30, 1999

	Food Services	Residential Facilities	Stores and Shops	Student Health	Student Activities	Athletics
Revenues:						
Student fees	\$15,284,622	\$14,924,392	\$ -	\$ 48,875	\$ -	\$ -
Sales and services	3,518,855	340,573	11,188,933	116,822	32,096	1,121,059
Total revenues	18,803,477	15,264,965	11,188,933	165,697	32,096	1,121,059
Cost of sales	6,425,647	-	8,738,564	-	-	-
Net revenues	12,377,830	15,264,965	2,450,369	165,697	32,096	1,121,059
Expenses of operation:						
Personal services	6,787,605	1,640,331	1,809,016	1,398,842	1,283,889	4,460,437
Contractual services	1,361,583	4,324,020	81,689	124,713	764,772	2,857,459
Supplies and materials	353,279	1,017,045	65,450	98,611	198,592	732,813
Continuous charges and obligations	2,124,317	2,677,457	768,455	175,250	137,001	1,180,960
Miscellaneous	72,248	40,347	2,533	142	2,231	294,677
Equipment	450,282	400,098	539,964	28,654	88,069	100,561
Scholarships	35,648	102,288	-	16,956	40,344	2,806,506
Total expenses of operation	11,184,962	10,201,586	3,267,107	1,843,168	2,514,898	12,433,413
Excess (deficiency) of revenues over (under) expenses of operations	1,192,868	5,063,379	(816,738)	(1,677,471)	(2,482,802)	(11,312,354)
Non-operating revenues (expenses):						
Private gifts	-	-	-	-	-	200,000
Scholarships	-	-	-	-	-	(200,000)
Total non-operating revenues (expenses)	-	-	-	-	-	-
Transfers:						
Mandatory:						
Debt service	(917,086)	(2,777,773)	(5,302)	-	(1,028,847)	(896,352)
Nonmandatory:						
Allocation of student fees	-	19,818	-	1,667,251	3,252,494	12,367,418
Capital improvements	-	(541,597)	-	-	(205,492)	(102,353)
Other	-	-	-	-	-	-
Total transfers	(917,086)	(3,299,552)	(5,302)	1,667,251	2,018,155	11,368,713
Net increase (decrease) for the year	\$ 275,782	\$ 1,763,827	\$ (822,040)	\$ (10,220)	\$ (464,647)	\$ 56,359
Fund balance at the beginning of the year						
Fund balance at the end of the year						

Telecom- munications	Parking	Recreation	Other	Total
\$ -	\$ -	\$ -	\$29,548,342	\$59,806,231
1,799,214	1,089,001	48,002	1,650,443	20,904,998
1,799,214	1,089,001	48,002	31,198,785	80,711,229
-	-	-	-	15,164,211
1,799,214	1,089,001	48,002	31,198,785	65,547,018
213,558	309,853	1,035,753	1,857,534	20,796,818
790,991	591,599	466,058	1,853,549	13,216,433
24,679	9,221	414,505	338,729	3,252,924
52,103	152,640	395,322	701,955	8,365,460
3,644	87,993	38,666	870,280	1,412,761
201,816	42,383	115,213	389,816	2,356,856
-	-	32,010	75,119	3,108,871
1,286,791	1,193,689	2,497,527	6,086,982	52,510,123
512,423	(104,688)	(2,449,525)	25,111,803	13,036,895
-	-	-	-	200,000
-	-	-	-	(200,000)
-	-	-	-	-
(625,853)	-	(1,463,954)	(13,062)	(7,728,229)
225,064	555,328	3,961,758	(22,049,131)	-
-	-	-	(5,235,918)	(6,085,360)
-	125,000	-	-	125,000
(400,789)	680,328	2,497,804	(27,298,111)	(13,688,589)
\$ 111,634	\$ 575,640	\$ 48,279	\$ (2,186,308)	(651,694)
				13,692,100
				<u>\$13,040,406</u>

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JAMES MADISON UNIVERSITY
Harrisonburg, Virginia

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